

PHMSA Proposes Regulatory Reforms for Natural Gas Pipelines

On June 9, 2020, the Pipeline and Hazardous Materials Safety Administration (PHMSA or the Agency) published a [Notice of Proposed Rulemaking \(NPRM\)](#) proposing amendments to the gas pipeline safety regulations at 49 C.F.R. Parts 191 and 192. PHMSA explained that the purpose of the NPRM is to ease regulatory burdens identified through internal agency review, petitions for rulemaking, and public comments. The Agency estimates that the proposed amendments will result in approximately \$129 to \$132 million in annualized cost savings, with the largest cost savings due to amendments related to farm taps and atmospheric corrosion inspections. Comments are due August 10, 2020.



The NPRM covers the following topics:

Proposed Exemptions from the Distribution Integrity Management Program Requirements

- PHMSA is proposing to codify the policy announced in its [March 2019 Exercise of Enforcement Discretion](#) by allowing operators of farm taps to maintain pressure regulating devices on farm taps under either the distribution integrity management program (DIMP) requirements or 49 C.F.R. § 192.740. While not defined in the proposed Part 192 amendments in the NPRM, the preamble describes a farm tap as “individual gas service line directly connected to a gas transmission, production, or gathering pipeline.” PHMSA estimates that, based on information submitted by distribution operators, the proposal to allow operators to manage farm taps under DIMP or § 192.740 will result in nearly \$42 million in annualized cost savings.
- PHMSA is also proposing to exempt farm taps originating from unregulated production and gathering pipelines from the DIMP requirements, the overpressure protection inspection requirements in § 192.740, and the annual reporting requirements in Part 191. PHMSA’s current position, recently reiterated in the Agency’s proposed farm tap [Frequently Asked Questions](#) posted on April 20, 2020, is that farm taps are regulated as distribution service lines and subject to all applicable Part 191 and 192 requirements. PHMSA estimates that the proposed exemptions for farm taps that originate on unregulated production and gathering lines will result in \$25 million in annualized cost savings to operators. However, these costs savings are predicated on the assumption that the Agency’s position that any piping downstream from the first aboveground point where downstream piping can be isolated from source piping is subject to regulation as a distribution service line until the outlet of the customer’s meter or the connection to a customer’s piping is legally supported. The NPRM does not result in any meaningful cost savings without these assumptions.
- Lastly, the Agency is proposing to exempt master meter operators from DIMP requirements acknowledging that the DIMP requirements provide little safety benefits as applied to these operators.

Corrosion Control

- PHMSA is proposing to allow operators to remotely monitor cathodic protection rectifier stations. This proposal would codify the position the Agency had already taken in a 2019 [interpretation](#). If operators remotely monitor rectifiers, the proposed amendments would require a physical inspection of the rectifier whenever a cathodic protection test is conducted under § 192.465(a).
- PHMSA is also proposing to extend the atmospheric corrosion control inspection interval for distribution service lines from three years to five years, not to exceed 63 months. If atmospheric corrosion is identified, the inspection interval would revert to the three-year period. Going forward, if no atmospheric corrosion is identified in a subsequent inspection, then the operator could then return to the five-year inspection interval. PHMSA estimates this proposal will result in \$61 million in annualized cost savings to distribution operators.

Reporting and Information Collection

- PHMSA is proposing to adjust the monetary property damage threshold in the definition of an “incident” from \$50,000 to \$122,000 to account for inflation. This threshold has not been updated since 1984 and includes losses to the operator and third parties, but not the cost of lost gas. Regarding gas transmission, gathering, and underground storage, PHMSA found that increasing the monetary property damage threshold to \$122,000 would reduce the percentage of events qualifying as reportable due solely to the monetary damage threshold by approximately 27

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percent; for distribution pipelines that figure is 48 percent. Although PHMSA proposes \$122,000 as the threshold in the NPRM, the Agency committed to base the final figure used in the final rule on the inflation-adjusted amount at the time of publication of the final rule. Equally as important, PHMSA stated that it intends to periodically update the monetary damage threshold in the future. PHMSA is seeking comment on the frequency and method used to update the threshold.

- PHMSA is also proposing to remove the requirement to submit mechanical fitting failure (MFF) reports from §§ 192.12 and 192.1009. Operators would still be required to file incident reports for MFFs. Operators would also need to include a count of MFF incidents in gas distribution annual reports.

Standards Incorporated by Reference for Plastic Pipe

- PHMSA is proposing to incorporate by reference the 2018a edition of ASTM D2513-18a, “Standard Specification for Polyethylene (PE) Gas Pressure Pipe, Tubing, and Fittings” and to adopt corresponding amendments to the plastic pipe design standards to allow a design factor of 0.40 for pipe with a diameter of 24 inches or less.
- PHMSA is also proposing to incorporate by reference the 2019 edition of ASTM F2620, “Standard Practice for Heat Fusion Joining of Polyethylene Pipe and Fittings” and make corresponding amendments to the requirements for joining procedures in §§ 192.281 and 192.283 to clarify that procedures that provide an equivalent or superior level of safety to ASTM F2620 are acceptable. The procedures must be proved to produce strong, gastight joints, operators must document the difference between ASTM F2620 and the alternative procedures, and demonstrate how the alternate procedure provides an equivalent or superior level of safety. PHMSA also proposes other clarifying amendments to § 192.285 and corrects errors from the Agency’s [Plastic Pipe Rule](#) published on November 20, 2018.

Test Factor for Pressure Vessels

- PHMSA is proposing to change the test factor for pressure vessels installed since July 14, 2004, from 1.5 times maximum allowable operating pressure (MAOP) to 1.3 times MAOP for consistency with the ASME Boiler and Pressure Vessel Code, and exempt these pressure vessels from the testing requirements in §§ 192.505(b) and 192.619(a) (2) and the test duration requirements in Subpart J. This proposed change is associated with a [petition for reconsideration](#) filed by the Interstate Natural Gas Association of America challenging PHMSA’s [2015 final rule](#) that required pressure vessels be tested to 1.5 times MAOP.
- PHMSA is also proposing that pressure vessels that are new, replaced, or relocated after the effective date of the final rule would not be exempt from the test duration requirements in Subpart J. PHMSA proposes to accept pre-installation and manufacturer tests, with certain conditions, for newly manufactured pressure vessels installed after the effective date of the rule.

Other Proposed Amendments

- **Welder Requalification:** PHMSA is proposing to amend the requirement that welders may not weld with a welding process if they have not engaged in welding with that process within the last six months by extending the time period to 7 ½ months.
- **Fabricated Assemblies Pre-test Applicability:** PHMSA is proposing to extend the allowance for testing fabricated units and short segments of pipe prior to installation if a post-installation test is not practicable, which is currently permitted for steel pipelines that operate at a stress level greater than 30 percent SMYS, to steel pipelines that operate at a stress level less than 30 percent SMYS and at or above 100 psi. PHMSA is not proposing to extend the pre-testing provisions to pipelines operating below 100 psi, service lines, or plastic pipelines.



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Led by three former Pipeline and Hazardous Materials Safety Administration (PHMSA) attorneys, our Pipeline and Hazardous Materials Safety practice group counsels pipeline and midstream companies, gas utilities, terminal operators, investors, trade associations, and other stakeholders, throughout the United States. James Curry, Keith Coyle and Brianne Kurdock together have more than 25 years of experience with a multitude of pipeline safety issues. They partner with client engineering and legal personnel to address day-to-day compliance questions and develop business and regulatory strategies.